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ABSTRACT

An audit of selected financial management procedures at the State University of New York College at Buffalo is reported. The audit addressed two issues: (1) whether the college's academic departments maintain an adequate time and attendance control system for faculty members and (2) whether the college has established an adequate system of internal controls over cash collection at certain remote sites. It identified significant weaknesses in both areas, resulting in leave accruals not being charged for some faculty absences and highly irregular cash transactions indicating misappropriation of university funds. The audit recommends that the matter of cash management be referred to the state attorney general for further investigation. It was also noted that the cash control weaknesses had not been corrected despite earlier recommendation to that effect. Deficiencies were noted in particular in the case of athletic events. It was also found that faculty attendance forms are not submitted monthly, a record of faculty absences is not kept by many department heads, and the records maintained are not used consistently to assure accurate recording of faculty attendance on forms intended for that purpose. Some specific recommendations for internal controls over these functions are made. The comments of SUNY officials, which were in general agreement with the recommendations, are attached. However, SUNY officials did not agree with certain of the auditors' observations and interpretation of issues. (MSE)

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State of New York
Office of the State Comptroller

Division of Management Audit

Report 95-S-82

Dr. John W. Ryan
Interim Chancellor
State University of New York
State University Plaza
Albany, New York 12246

Dear Dr. Ryan:

The following is our audit report on selected financial management practices of the State University College at Buffalo.

This audit was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit

October 15, 1996

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Executive Summary

State University Of New York College At Buffalo Selected Financial Management Practices

Scope of Audit

The State University of New York (SUNY) College at Buffalo (College) offers academic programs in liberal arts, education and technical fields. The College employs about 1,270 people, of whom more than 500 are faculty members. During the 1994-95 fiscal year, the personal service cost for these faculty members totaled about $20.6 million. The College collects about $45 million annually in revenue, including about $3 million at remote collection sites.

Our audit addressed the following questions about selected College financial management practices:

- Do the College's academic departments maintain an adequate time and attendance control system for faculty members?
- Has the College established an adequate system of internal controls over the collection of cash at certain remote sites?

Audit Observations and Conclusions

We identified significant weaknesses in the internal controls relating to faculty time and attendance practices and cash collection at certain remote sites. As a result of these weaknesses, leave accruals may not have been charged for all faculty absences. In addition, we identified many highly irregular cash transactions that may indicate a misappropriation of College funds. We are recommending that SUNY officials refer this matter to the State Attorney General for further investigation. We also noted that the cash control weaknesses identified in this report had not been corrected even though we recommended that such weaknesses be corrected in both a prior audit of the College and a prior audit of cash collection practices at seven other SUNY campuses.

College faculty are required to maintain attendance forms. If leave accruals are not accurately charged, accrual balances can be overstated and faculty members can be paid for unworked time even though their accruals are not sufficient to cover their absences. Moreover, if sick leave accruals are overstated, the costs for a faculty member's retirement may be increased inappropriately.

We found that, contrary to requirements, faculty attendance forms are not submitted monthly. We also noted that a record of faculty absences is not maintained by many Department chairpersons. Also, many of the records that are maintained do not appear to be used to ensure that the absences are accurately recorded on faculty attendance forms. We tested

137 faculty absences noted in the chairpersons' records and found that 58 of these absences (42 percent) were not charged to leave accruals on the faculty members' attendance forms. We therefore believe the accrual balances of some faculty may be overstated.

Generally, the revenue collected by the College at remote sites relates to various campus activities (such as athletic events or student entertainment) and should be handled in separate accounts established for each activity. We found that three remote site cash collection accounts overseen by the Athletic Director were not properly controlled. For example, formal accounting records were not maintained for one of the accounts, revenue was not always accounted for at the point of collection, and cash collections were not independently reconciled to cash deposits. While College records indicate at least $763,000 was collected at remote sites for these three accounts over a three-year period, because of the many control weaknesses, we cannot be assured that all the collections have been accounted for.

Moreover, we identified thousands of dollars in cash collections that were never deposited in the authorized accounts. Instead, the Athletic Director kept these collections with his personal funds and he stated that he used the funds to pay expenses relating to account activities. For example, the Athletic Director stated that he withheld $17,825 in revenue from an intercollegiate basketball tournament and used $12,151 in cash and $5,674 in personal checks to pay expenses relating to tournament administration. We were not able to confirm these expenditures, because the Athletic Director did not keep supporting documentation. As a result of such financial irregularities, as well as the many internal control weaknesses we identified, College funds may have been misappropriated.

We recommend that the College strengthen its internal controls over faculty time and attendance practices and revenue collected at remote sites.

Comments of SUNY Officials

SUNY officials generally agreed with our recommendations concerning faculty time and attendance and Athletic Department cash collection activities. However, SUNY officials did not agree with certain of our observations and our interpretations of issues.

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Introduction

Background

The State University College at Buffalo (College) was founded in 1871 as the Normal School at Buffalo and became part of the State University of New York (SUNY) system as a teachers' college in 1948. In 1962, the College became an arts and science college and currently offers programs in liberal arts, education, and technical career fields. The College is located on a 102-acre campus in the City of Buffalo.

The College employs about 1,270 people, of whom more than 500 are faculty members. During the 1994-95 fiscal year, the personal service cost for these faculty members totaled about $20.6 million. The College collects about $45 million annually in revenue. Most of this revenue is paid by students for tuition, room and board, and various College fees, and is collected at the Student Accounts Office. About $3 million annually is initially collected at more than 20 other locations, which are called remote cash collection sites.

Audit Scope, Objectives and Methodology

We audited selected College financial management practices for the period January 1, 1993 through August 31, 1995. The objectives of our audit were to determine whether the College's academic departments maintain an adequate faculty time and attendance control system, and whether the College has established an adequate system of internal controls over certain remote cash collection sites. To accomplish our objectives, we reviewed the College's policies and procedures, applicable rules and regulations, and appropriate documentation. We also interviewed College management and staff.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of the College which are included within our audit scope. These standards require that we understand the College's internal control structure and its compliance with those laws, rules and regulations that are relevant to the College's operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach to select activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little effort is devoted to reviewing operations that may be relatively efficient and effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Internal Control Summary

We identified significant weaknesses in the internal controls relating to faculty time and attendance and cash collection at certain remote sites. These weaknesses are described in the sections of this report entitled "Faculty Time and Attendance" and "Athletic Department Cash Collection Activities."

Response of SUNY Officials to Audit

A draft copy of this report was provided to SUNY officials for their review and comment. Their comments have been considered in preparing this report and are included as Appendix B.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the State University of New York shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Faculty Time and Attendance

Time and attendance reporting for SUNY faculty is governed by provisions contained in the policies of the SUNY Board of Trustees and the contractual agreement between New York State and the collective bargaining unit representing College faculty. The agreement states that faculty are required to certify their presence and record any absences, and charges to accruals of vacation or sick leave credits, on forms to be provided by the State. In addition, according to the agreement, the forms must be submitted to the college president, or his designee, for review on a monthly basis. At the College, department chairmen have been designated by the College president to review the attendance forms on a monthly basis.

All other State employees' time and attendance reporting is governed by the New York State Comptroller's Accounting System User Procedure Manual (Manual). According to the Manual, an employee's supervisor is required to review employees' attendance forms by maintaining a record of the employee's absences, and referring to this record when certifying to the accuracy of the employee's attendance form. While SUNY department chairmen are not required by the agreement to certify the accuracy of the attendance forms, they are required to review them on a monthly basis. As part of this review, it is reasonable to expect that the attendance forms would be compared to other records of faculty absences to verify the accuracy of absences reported by faculty on their forms. If this basic review function is not performed, the review referred to in the agreement would be of limited value.

In responding to this observation, University Officials noted that they did not believe the creation of a new record would be consistent with the existing agreement with the faculty union. However, we question how the review referred to in the agreement can be performed without a record of absences.

If leave accruals are not accurately charged, accrual balances can be overstated and employees can be paid for unworked time even though their accruals are not sufficient to cover the absences. Moreover, if sick leave accruals are overstated, the costs for an employee's retirement may be increased inappropriately.

We examined the procedures used by the College to review faculty attendance forms and ensure that faculty leave accruals are accurately charged. We interviewed officials from 20 of the College's 33 academic departments. We found that, in only four of these departments (Design,

English, Foreign Language, and Technology), does the faculty's supervisor (the department chairperson) maintain a record of faculty absences. In two of these four departments, the records of faculty absences were available for all five semesters in our audit period (Spring 1993 through Spring 1995).

To determine the extent to which the records of faculty absences in these four departments were used to ensure that faculty attendance forms were accurate, we compared the records of absences to the attendance forms submitted by faculty from the four departments during the five semesters covered by our audit. We found that, of the 137 absences noted by the chairpersons' records, 58 (42 percent) of the absences were not charged to leave accruals on the faculty members' attendance forms. We believe such a high percentage of uncharged absences may represent a serious time and attendance abuse.

Ten chairpersons told us they did not know they were responsible for reviewing faculty attendance records to ensure that faculty absences were accurately recorded on faculty attendance forms. Nine chairpersons told us that they consider themselves to be the peers of the other faculty, not their supervisors. According to one chairperson, the College provides department chairpersons with neither the authority nor the managerial support to enforce administrative policies.

We also found that, contrary to the policies of the SUNY Board of Trustees and the contractual agreement between New York State and the collective bargaining unit representing College faculty, the College does not require that faculty attendance forms be submitted monthly. Rather, the College requires that these attendance forms be submitted only once a semester. Officials from the College Human Resources Office told us that, prior to the Spring 1989 semester, faculty were required to submit their attendance forms monthly. However, because this requirement was difficult to enforce, College officials decided to require less frequent submission. We question the authority of these officials to make a decision that violates both SUNY policies and the statewide collective bargaining agreement. In responding to our audit, College officials agreed to return to monthly submission of faculty attendance forms as required.

To determine whether faculty attendance forms were submitted once a semester, as required by the College, we reviewed certain records maintained by the Human Resources Office. We found that, for the Spring 1993 through Fall 1994 semesters, 226 of the 530 faculty (43 percent) did not submit at least one of the four required attendance forms and 30 faculty (6 percent) did not submit at least two of the four

required attendance forms. We note that, unlike some other State agencies, the College does not withhold the paychecks of faculty who fail to submit their attendance forms.

We also note that, in our prior audit of the College (report 89-S-7, which was issued in May 1990), we identified faculty members who had not submitted attendance forms. We recommended that procedures be developed to ensure the submission of faculty attendance forms, but College officials did not implement our recommendation.

As a result of the many weaknesses we identified in faculty time and attendance practices, we conclude College officials cannot be adequately assured that faculty leave accruals are accurately charged for all absences. Indeed, we identified 58 instances in which apparent faculty absences were not charged to leave accruals. We therefore believe the accrual balances of some faculty may be overstated.

Many faculty are scheduled to be on campus two or three days a week. We found that leave accruals are not charged in the same manner by all such faculty. In some departments, if such a faculty member is absent for the entire week, the faculty member is expected to charge five days to leave accruals. In other departments, if such a faculty member is absent for the entire week, the faculty member is expected to charge two or three days to leave accruals, depending on the number of days scheduled. The College's time and attendance guidelines do not provide clear guidance for this situation. We recommend that the guidelines be clarified and leave accruals be charged in a consistent manner.

University officials disagree with the need for guidelines specifying how leave accruals should be charged by faculty who are scheduled to be on campus for fewer than five days a week. Officials believe our recommendation ignores that faculty assignments and activities do not occur exclusively on-campus; thus time spent on off-campus activities cannot be captured on faculty attendance forms. While we recognize that the academic profession has diverse, task-oriented assignments, we believe that the college still needs to clarify through guidelines when an absence has occurred and the expected amount of time to be charged for that absence.

Recommendations

1. Require the chairpersons to maintain a record of faculty absences and to refer to this record when reviewing the attendance forms.

2. Investigate the 58 faculty absences that we found were not charged to leave accruals. Ensure that all actual absences are charged to leave accruals.

3. Require faculty to submit their attendance forms monthly.

4. Develop procedures for ensuring that faculty submit their attendance forms as required. Consider withholding paychecks from faculty who do not submit their attendance forms.

5. Develop guidelines specifying how leave accruals should be charged by faculty who are scheduled to be on campus for fewer than five days a week.

Athletic Department Cash Collection Activities

The revenue collected by the College at remote sites relates to athletic events, student entertainment, traffic fines, and many other activities that are typically found on a college campus. Generally, the revenue and expenses relating to these activities are handled in separate accounts established for each activity. Such accounts should be authorized by the College and each account should be used for its authorized purpose only.

Our audit addressed the controls over three of these accounts:

- the National Collegiate Association of Athletes (NCAA) Tournament Account, which was used to administer a three-day basketball tournament held in March of 1993, 1994 and 1995;

- the Sports Complex Account, which is used to administer ice skating and the rental of space at the College's sports complex; and

- the Intercollegiate Athletics Account, which is used to handle revenue from tickets sold to College athletic events, private funds raised in support of the College's athletic program, and the athletic activity fee charged to students. (Since the student athletic activity fee is not collected at a remote site, but is sent directly to the Student Accounts Office, the revenue from this fee is not addressed by our audit. Accordingly, when we refer to this account in the report, we do not include the activity fee revenue.)

According to College records and statements by College officials, between July 1, 1992 and June 30, 1995, at least $763,000 in revenue was collected at remote sites from activities relating to these three accounts. At least $107,000 was collected from the NCAA Tournaments and at least $656,000 was collected from activities relating to the other two accounts. As is described later in this report, the exact amount of revenue collected at remote sites from activities relating to these three accounts cannot be determined.

Adequate controls are necessary to provide reasonable assurance that all cash collected is deposited into authorized accounts and is used for appropriate purposes. However, we found that the NCAA Tournament Account was subject to none of the necessary controls and the other two accounts were subject to few of the necessary controls. As a result, College funds may have been misappropriated. We were not able to

determine, with any degree of certainty, what total revenues for the three accounts should have been during our audit period, whether all the revenue collected was properly deposited, and whether only authorized expenditures were charged to these accounts. We identified many transactions that were highly irregular, including thousands of dollars in cash collections that were never deposited in the authorized accounts, but instead were commingled with the Athletic Director's personal funds to pay expenses relating to account activities. We are recommending that SUNY officials refer these matters to the State Attorney General for further investigation and advise the Attorney General that the State Comptroller's Office should be contacted for further information.

According to the New York State Comptroller's Accounting System User Procedure Manual (Manual) and College guidelines for cash collections, all cash receipt, deposit and disbursement transactions should be formally recorded, and the records should be maintained in a clear and appropriate manner. However, we found that formal accounting records were not available for the NCAA Tournament Account for 1993, 1994 or 1995. Most of the revenue from the Tournament was generated by ticket sales and was supposed to be used to fund the expenses of administering the Tournament.

The Athletic Director, who was responsible for maintaining the NCAA Tournament Account, told us that he maintained informal records relating to account activity, but had thrown away most of these records as well as the unused tickets for each Tournament. The bank statements and checkbook for the account were of little use to us in identifying Tournament revenue and expenditures, because the Athletic Director often personally retained Tournament revenue, rather than depositing the revenue into the authorized account, and paid Tournament expenses with his personal funds. We examined personal records provided to us by the Athletic Director as well as other available records; however, because Tournament revenue was not accounted for at the point of collection, there can be no assurance that all Tournament revenue has been accounted for.

According to the Manual and College guidelines for cash collections, the duties of handling cash, maintaining cash accounting records, and authorizing cash disbursements should be separated among different employees. Otherwise, cash can be misappropriated and the records can be adjusted to conceal the misappropriation. However, we found that the Athletic Director authorized all cash disbursement transactions relating to the NCAA Tournament Account, maintained the informal accounting records for this account, and had custody of all Tournament revenue. We also noted that the Athletic Director could authorize cash

disbursement transactions in the Sports Complex and Intercollegiate Athletics Accounts, and was responsible for depositing some of the revenue collected for these two accounts.

According to the Manual and College guidelines for cash collections, sequential, press-numbered receipt forms and tickets should be used to establish accountability for each cash receipt transaction. We found that such forms and tickets either were not used at all for the revenue collected for the three accounts or records were not retained showing the sequence of numbers on the tickets sold for the NCAA Tournaments. As a result, it could not be determined how many Tournament tickets were sold, how much other revenue should have been collected, and how much revenue should have been collected for the other two accounts.

According to reports made to the NCAA by the Athletic Director, a total of $102,091 in tickets was sold for the 1993, 1994 and 1995 Tournaments. Our review of College records identified an additional $5,144 in ticket sales, program advertisements and other Tournament revenue. Moreover, the College reported to a local newspaper that attendance for the three Tournaments totaled 13,539, which exceeded the amount reported by the Athletic Director to the NCAA (9,517) by 4,022 (42 percent). If the attendance reported to the newspaper was accurate, ticket revenue would have been increased by about $40,000. However, a College official told us the attendance figures reported to the newspaper were inflated by an unknown amount, as is commonly done. Therefore, it is not possible to determine the extent to which Tournament revenue may have been understated.

According to the Manual and College guidelines for cash collections, checks should be restrictively endorsed when they are received to prevent their negotiation by inappropriate parties. However, the checks received for the NCAA Tournament were not restrictively endorsed, and at least two of these checks, totaling $28,745, were inappropriately negotiated by the Athletic Director. These two checks were issued by participating colleges to purchase blocks of seats at the Tournament. The Athletic Director did not deposit these checks in the authorized account, as required. Rather, in March 1995, the Athletic Director cashed the two checks at a local bank and used the cash to purchase three bank checks: two of the bank checks totaling $27,025 were used to pay Tournament costs; a third bank check for $1,720 was made payable to the Athletic Director, who subsequently cashed the check. The Athletic Director said he used the $1,720 in cash to pay Tournament expenses. However, he was not able to provide us with documentation to support these expenses.

According to the Manual and College guidelines for cash collections, cash collections should be deposited in the appropriate account at least weekly. Disbursements from accounts should be for appropriate and documented expenses. However, we found that, for all three accounts, the Athletic Director deposited cash into the wrong College account; deposited cash into the appropriate College account, but not until weeks after the cash had been collected; and used some of the cash to pay Tournament expenses without ever depositing it into any account. In addition, the Athletic Director made inappropriate and undocumented expenditures. The following examples illustrate what we found:

- The Athletic Director deposited $20,588 of NCAA Tournament revenue into the wrong accounts (either the Intercollegiate Athletics or the Sports Complex Account). In addition, the Athletic Director used $11,570 in Tournament revenue to pay for activities unrelated to the Tournament. Most of these expenditures appeared to relate to other College sports programs and should have been paid from their related accounts.

- According to personal records of the Athletic Director, he withheld $17,825 in Tournament revenue and used $12,151 in cash and $5,674 in personal checks to pay Tournament expenses. According to his records, he paid 89 students, College employees, and game officials in cash and by his own personal checks for services related to the 1993, 1994 and 1995 Tournaments. However, we were not able to confirm these expenditures, because the Athletic Director did not keep supporting documentation. According to State guidelines, these individuals should have received payment through the appropriate College-authorized account. The Athletic Director told us he paid these people in this way to reduce bureaucratic delays and to avoid paying an administrative fee imposed on all account transactions. He told us he paid most Tournament bills with cash that had never been deposited.

- In July of 1995, after we requested that the revenue from the 1995 Tournament be accounted for, the Athletic Director stated he deposited $4,679 in Tournament revenue that had been collected four months earlier.

- The Athletic Director stated he deposited into the wrong College accounts at least $19,000 that was collected for the Sports Complex Account. Funds collected for the Sports Complex Account were deposited instead into the Intercollegiate Athletics Account and NCAA Tournament Account.

- When we compared cash receipt records to records of deposit for the Sports Complex Account and Intercollegiate Athletics Account for the two years ended June 30, 1995, we identified nearly $13,000 in cash and checks that had never been deposited into any College account. The Athletic Director told us he used these funds to pay Tournament expenses, make miscellaneous purchases and pay part-time employees. For example, according to personal records of the Athletic Director, he paid 22 College students and employees $3,328 in cash for services performed for sports complex programs. We were not able to confirm these expenditures, because the Athletic Director did not keep supporting documentation.

- We also identified $3,876 in sports complex revenue that was withheld by the Athletic Director during the two weeks ended February 20, 1995. The Athletic Director told us he used the cash to pay up-front expenses of the NCAA Tournament. However, he could provide no documentation to support these expenses and, according to College records, the NCAA Tournament Account had a balance of $6,726 on January 1, 1995 and a balance of more than $4,500 as of March 17, 1995, which was more than enough to pay these expenses. The Athletic Director then told us that he deposited $3,425 into the NCAA Tournament Account in April 1995 and used the remaining cash to pay expenses. According to College records, two deposits totaling $3,425 were made into the account in April: a check from an unknown source for $2,175 on April 6 and $1,250 in cash on April 26. While these deposits may represent cash collected for the sports complex, it is also possible that they were obtained elsewhere.

According to the Manual and College guidelines for cash collections, a party independent of the cash collection and cash recording function should regularly reconcile the cash receipts to the cash deposits and the accounting records. However, no such reconciliations were performed for the three accounts we examined. We note that, in 1994, the College's Accounting Department wrote a memo to the Athletic Director, identifying $21,000 in NCAA Tournament Account funds and $15,000 in Intercollegiate Athletic Account funds that had been deposited in the wrong accounts. The memo advised the Athletic Director that account funds must be used for authorized purposes only. Despite the College's awareness of the Athletic Director's activities, we found no indication that the College subsequently followed up with the Athletic Director to ensure that he was handling revenues properly.

College officials responded that they were not aware of any improper activities and that they corrected the particular deposit problems pointed out in our report. We recognize that College officials followed up on the deposit transactions, however, they did not monitor the Athletic Director's subsequent financial transactions to ensure that these were properly handled.

According to the Manual and College guidelines for cash collections, written procedures should describe to staff how cash collections are to be handled and accounted for. While the College has developed such procedures, College officials told us that the staff at the collection sites for the three accounts did not have copies of these procedures and were not aware of the procedures that should be used in collecting cash. Moreover, College management did not periodically visit the collection sites to ensure that the proper procedures were used. We believe the absence of direction and monitoring were factors contributing to the irregularities we identified.

College officials emphasized that they did distribute written procedures for cash collections to remote locations, although such procedures were not found at the Athletic Department cash collection sites.

Our prior audit of the College identified internal control weaknesses at remote cash collection sites that are similar to the weaknesses identified by this report. Moreover, in an audit of remote cash collection sites at seven other SUNY campuses (report 94-S-27, which was issued in August 1994), we identified widespread internal control weaknesses. These two prior reports alerted SUNY management that improvements were needed in the controls over cash collections at remote sites. However, our current audit continues to identify serious weaknesses in these controls.

In responding to these observations, College officials pointed out that they implemented the seven recommendations contained in one of our prior audit reports. However, it should be noted that only one of the recommendations from the report concerned remote site cash collection. With respect to the Athletic Department, this recommendation was not fully implemented.

During our audit, we advised College officials of our findings relating to the Athletic Director. The College subsequently removed all accounts from the Athletic Director's control.

College officials pointed out that the monies associated with the NCAA Tournament were non-State funds. However, we maintain that the categorization of these monies as non-State funds does not relieve the Athletic Director of his fiduciary responsibilities as a State employee who is entrusted to safeguard these funds and to use them only for intended purposes.

Recommendations

6. Ensure that written procedures for handling cash are provided to the staff at remote collection sites. Ensure that these procedures are understood by the staff, and monitor compliance with the procedures.

7. Ensure that the Athletic Director is not permitted to collect revenues or maintain accounting records.

8. To SUNY System Administration:

   Refer the matter of the Athletic Director's financial transactions to the State Attorney General's Office for further investigation. SUNY should also advise the State Attorney General to contact the State Comptroller's Office for further information about this matter.

Major Contributors to This Report

Jerry Barber
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September 20, 1996

Mr. Robert H. Attmore
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The State Office Building
Albany, New York 12236

Dear Bob:

In accordance with Section 170 of the Executive Law, we are enclosing the comments of the State University of New College at Buffalo and SUNY System Administration regarding the draft audit report on Selected Financial Management Practices, State University of New York College at Buffalo (95-S-82).

Sincerely,

William H. Anslow
Senior Vice Chancellor
for Finance and Management

Enc.

Appendix B

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State University of New York
College at Buffalo
Selected Financial Management Practices
95-S-82

Buffalo College General Comments

Cash control weaknesses identified in prior audit report 89-S-7 have been corrected. To state that the weaknesses in the report had not been corrected is not accurate. The recommendations of the prior report with the actions taken by Buffalo State College follow.

Recommendations per report 89-S-7:

1. Properly account for advances to students.

   Action taken - Fully implemented.

2. Resolve the discrepancy between cash and related liabilities.

   Actions taken - Fully implemented.

3. Reconcile the subsidiary accounts of students with credit balances to the control account.

   Actions taken - Fully implemented.

4. Establish a proper accounting system for Library accounts receivable.

   Actions taken - Fully implemented.

5. Ensure an adequate separation of cash disbursement duties.

   Actions taken - Fully implemented.

6. Provide remote cash collection locations with written cash control guidelines and ensure the guidelines are followed.

   Actions taken - Fully implemented.

7. Close agency accounts which do not meet SUNY criteria and dispose of the related funds as appropriate.

   Actions taken - Fully implemented.

In addition, the recommendation on payroll practices to ensure professional employees submit

monthly time and attendance reports promptly to the Personnel Office in the 1989 report was implemented partially--in particular, for non-teaching professionals. We also attempted to streamline the process for faculty time sheets by requiring the faculty to submit the form once a semester. The rate of time sheets returned to the Human Resource Management Office did increase. Also, we wish to clarify that if a faculty member does not submit an attendance record, then the new accruals which he or she earned for the period are not automatically added to the balance.

A few comments are in order which pertain to the NCAA Tournament Account and our procedures for remote collection sites. Buffalo State College does provide project directors at remote locations written procedures. In the guidelines are procedures which the project directors should follow for the financial operations of the program. It was the Athletics Director who did not adhere to the guidelines. The guidelines for the Income Fund Reimbursable Programs, the Faculty-Student Agency Accounts, the Buffalo State College Foundation Agency Accounts are all inclusive. Further, we have included procedures which the Ice Rink Manager, the Sports Arena Manager, the Business Manager for Athletics and the Director of the Library use for cash controls.

The expenditure activity which flows through our Accounting and Purchasing Offices is monitored and audited for correctness before a check or purchase order is processed. The $710,000 of receipts collected from the Sports Arena and Intercollegiate Athletics were primarily made up of checks. The check portion of the receipts were properly deposited and appropriately accounted for in the IFR group of accounts.

Buffalo State Comments to the NCAA Tournament Account

The NCAA Division III Basketball Tournament brought to Buffalo the four men's basketball teams that had won at the regional level. The Buffalo State Arena was selected as the site of the semi-final games and the national championship game. These games were played on Friday evening and Saturday. The participating teams stayed at area hotels, held a tournament banquet, etc. The expenses related to the tournament such as hotel charges, banquet costs, and game officials were not Buffalo State College expenses. Tournament receipts such as ticket sales to the games were not Buffalo State College revenues. This was an event sponsored by the NCAA, an outside organization that was provided access to our Arena to stage this prestigious national tournament. The Athletics Director did serve as host and on-site official for the NCAA. The College provided the Athletics Director with an FSA agency account to facilitate the tournament finances and to keep those revenues and expenses separate from Buffalo State College Athletics Department business. The monies associated with the tournament were non-State funds.

It should be noted that the College corrected the NCAA deposit which inappropriately was deposited in the IFR account. Further, we must state that we were not aware of any improper activities. To state that the College's awareness of the Athletic Director's improper activities and the statement that the College did not follow up is an inaccurate and unfair assumption. The Athletics Director acted outside of the controls which were established.

Faculty Time and Attendance

Recommendations (Page 5)

(OSC) 1. Require the chairpersons to maintain a record of faculty absences and to refer to this record when reviewing the attendance forms.

(SUCB) 1. Faculty members will certify their presence or absence on a monthly basis. A form will be provided to simplify the process. The form will enable the Provost, Deans, and Chairs to review the Record of Accrual Balances submitted at the end of each period and will also serve to help the faculty complete them.

(SU) 1. This recommendation suggests that additional responsibility be placed upon the College to require the Department Chairs to create separate attendance records for each faculty member. While such an arrangement could exist by virtue of longstanding prior practice or through agreement with the union, the express language of subsection 23.9 of the Agreement provides for self-reporting only.

(OSC) 2. Investigate the 58 faculty absences that we found were not charged to leave accruals. Ensure that all actual absences are charged to leave accruals.

(SUCB) 2. We investigated the 58 faculty absences that the auditors found were not charged to leave accruals. Although we found several instances in which the date the faculty member charged to leave accruals did not match the date on the department records, the correct number of days was, in fact, charged to accruals.

(OSC) 3. Require faculty to submit their attendance forms monthly.

(SUCB) 3. We agree. See response #1.

(OSC) 4. Develop procedures for ensuring that faculty submit their attendance forms as required. Consider withholding paychecks from faculty who do not submit their attendance forms.

(SUCB) 4. We agree. Procedures are being developed by the Human Resource Management office to strengthen the UUP Leave Accrual Record System.

(SU) 2-4. We agree with the recommendations and the College's responses.

(OSC) 5. Develop guidelines specifying how leave accruals should be charged by faculty who are scheduled to be on campus for fewer than five a days a week.

(SUCB) 5. We disagree with this recommendation. To develop guidelines specifying how

leave accruals should be charged by faculty who are scheduled to be on campus for fewer than five days a week ignores the fact that recognizes that the three primary missions of an educational institution are teaching, research, and public service; and that each specific mission can be accomplished off campus. It also ignores other off-campus duties and responsibilities which faculty are required to fulfill. Examples of off-campus endeavors may be community work and service programs, national and state professional meetings, workshops, professional growth and development seminars, off-campus instruction and presentations, off-campus committee work, serving on corporate boards and councils, pursuit of advanced degrees, licenses, honors, awards and reputation in the subject matter field, development of new courses and teaching materials, contribution to the arts, publications, advising and counseling students or community in addition to formal teacher-student relationships, continuing growth as demonstrated by such things as reading, research or other activities to keep abreast of current developments in the academic employee's field.

(SU) 5. We agree with the College's response. The Comptroller's recommendation fails to recognize the nature of the professional obligation as described in Article XI, Title H, §2 of the State University Policies of the Board of Trustees. Attendance reporting is, as noted above, a matter covered specifically in the Agreement between the State and UUP. The "work" performed by the University faculty is referred to as "Professional Obligation" which appears in Article XI, Title H, §2 of the State University Policies of the Board of Trustees.

This recommendation is essentially based upon the fixed workday/work week concept generally applicable to the vast majority of other State employees. The University faculty have a task-oriented obligation which requires performance of their duties at varied times (day or evening as needed) and on varied days (weekdays or weekends as needed). The matter is further complicated by the fact that the professional obligation is comprised of duties and responsibilities that are performed both on and off campus. While engaged in such off-campus work activities, faculty are not "absent" for purposes of attendance reporting. The recommendation is therefore contrary to the single attendance reporting system specified in the State-UUP Agreement, and wholly inconsistent with the concept of a task-oriented work obligation.

Athletic Department Cash Collection Activities

Recommendation (Page 11)

(OSC) 6. Ensure that written procedures for handling cash are provided to the staff at remote collection sites. Ensure that these procedures are understood by the staff, and monitor compliance with the procedures.

(SUCB) 6. We agree. It should be noted that the College has always provided project directors at remote locations written procedures. In these guidelines are procedures which the project directors should follow for the financial operations of the program. In addition, we will strengthen the monitoring of the procedures to ensure compliance.

(OSC) 7. Ensure that the Athletic Director is not permitted to collect revenues or maintain accounting records.

(SUCB) 7. Fully implemented.

(SU) 6-7. We agree with the recommendations and the College's responses.

(OSC) 8. To SUNY System Administration:

Refer the matter of the Athletic Director's financial transactions to the State Attorney General's office for further investigation. SUNY should also advise the State Attorney General to contact the State Comptroller's Office for further information about this matter.

(SU) 8. We have referred this matter to the State Attorney General's office on May 8, 1996. We also advised the Attorney General's Office that the State Comptroller's Office could be contacted regarding this matter. We were informed by the Attorney General's Office on June 5, 1996 that "Thus unless additional evidence develops that clearly indicates that money has been misappropriated, our office must decline to investigate further or to criminally prosecute".